

MASTER AUDIT PROGRAM

Audit of MWR Utilization, Support and Accountability (USA) Funding Practice (H9-103C)

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For Further Information, Contact:

Alice S. Arielly, Fort Bliss Field Office, DSN 978-3143, Alice.Arielly@aaa.army.mil

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	<p>1. BACKGROUND--USA Funding Practice Concept</p> <p>On 23 July 1997, the USA funding practice concept was established by the Assistant Secretary of Defense for Force Management Policy. This concept was intended to facilitate the effective use of funds for the Army MWR program, and local installations could start using practice funds as of 1 October 1997. On 10 June 1998, the U.S. Army Community and Family Support Center issued Army guidance in HQDA Letter 215-98-1.</p> <p>Under the USA funding practice concept, each Director of Community Activities can negotiate a memorandum of agreement with the respective installation specifying which services being provided are authorized to be paid for with appropriated funds. Initially, these qualifying expenses are to be charged to Department Code GN (titled Appropriated Fund Support Shortfall). Periodically, the directorate will bill the installation for all specified services rendered, and the installation will disburse all or part of the appropriated funds requested by the directorate. When the funds are actually billed, these expenses will be moved from this department to Department Code GL (titled Utilization, Support and Accountability Funding). AR 215-1 provides detailed guidance on the proper use of appropriated funds for installation MWR programs.</p>		
	<p>2. AUDIT OBJECTIVES. The overall objective of our review is to determine whether the USA funding practice for Army MWR programs facilitated the effective use of funds for approved programs. The specific objectives are:</p> <ul style="list-style-type: none"> a. Was the Morale, Welfare and Recreation--Utilization, Support and Accountability (USA) funding practice used for authorized appropriated fund support. Also, were personnel policies were followed? b. Did appropriated fund resource managers adequately support functions under the USA funding practice? c. Did installations properly account for morale, welfare and recreation USA practice funds ? d. Was published guidance for morale, welfare and recreation USA funding practice funds adequate? 		

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	3. ACRONYMS & ABBREVIATIONS.			
	AAA ACS AMSCO AOB APF AR ASD BASOPS CAO CFSC CPMC DFAS-IN DOD(I) D(P)CA DRM EOR FAQ FMP FY GL GLAC 137 508 742 GN HQDA IAW MACOM TRADOC FORSCOM MEDCOM MOA MWR NAF(I) NFS OGC PAL PRD TDA TDY URD USA	<ul style="list-style-type: none"> – U.S. Army Audit Agency – Army Community Services – Army Management Structure Code – Annual (NAF) Operating Budget – Appropriated Fund – Army Regulation – Assistant Secretary of Defense – Base Operations – Central Accounting Office (former term for NFS Red River) – U.S. Army Community and Family Support Center – NAF Capital Purchases & Minor Construction projects – Defense Finance and Accounting Service - Indianapolis Center – Department of Defense (Instruction) – Director(ate) of (Personnel &) Community Activities – Director(ate) of Resource Management – Element of Resource – Frequently Asked Question(s) – Financial Management Policy – Fiscal Year – NAF Department Code for USA Income and Expenses – General Ledger Account Code, including: <ul style="list-style-type: none"> –USA Income Receivable –USA Income –Furniture, Fixtures, & Equipment – NAF Department Code for APF Shortfall – Headquarters Department of the Army – In Accordance With – Major Command, which includes: <ul style="list-style-type: none"> –Training & Doctrine Command –Forces Command –Medical Command – Memorandum of Agreement – Morale, Welfare and Recreation – Nonappropriated Fund (Instrumentality) – NAF Financial Services, DFAS-IN, Red River Army Depot, Texarkana, TX – Office of the General Counsel – NAF Personnel Authorization Listing – NAF Personnel Requirements Document – Table of Distribution & Allowances (APF personnel authorization document) – Temporary Duty – Uniform Resource Demonstration Project – Utilization, Support and Accountability Funding Practice 		

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	4. REGULATIONS & OTHER BACKGROUND DATA. Gather pertinent background information on USA, to include:		
	<p>a. Regulations, to include:</p> <p>(1) DOD Regulations</p> <ul style="list-style-type: none"> – DoDI 1015.10 Programs for MWR – DoDI 7000.12 Financial Management of MWR Activities – DoDI 7000.14 DOD Financial Management Policy & Procedures – DoDI 1330.20 Reporting of MWR Personnel Information – DoDI 1401.01 Personnel Policy for NAFIs – DoDI 4105.67 NAF Procurement Policy – DoDI 6060.2 Child Development Programs – DFAS-IN 37-100-*** The Army Management Structure <p>(2) Army Regulations</p> <ul style="list-style-type: none"> – AR 215-1 MWR Activities & NAFIs, 25 October 1998 – AR 608-10 Child Development Services, 12 Feb 90 w/Change 1, 15 July 1997 <p>(3) Pertinent related Audit Reports, to include:</p> <ul style="list-style-type: none"> – AAA Report AA 99-103 - FY 98 URD Final Report – AAA Report AA 98-255 - FY 97 URD report – AAA Report AA 00-____ - MWR USA Funding Practice (draft report dated 29 Oct 99) 		
	<p>b. CFSC Guidance, including:</p> <ul style="list-style-type: none"> – ASD (FMP) Memo, 23 July 1997, Subject: DoD MWR USA Practice – HQDA Letter 215-98-1, 10 June 1998, Subject: MWR USA Practice – DA OGC Memo, 4 January 1999, Subject: MWR USA Practices Accounting Policy Implementing Message (Reres letter) – CFSC-FM-C Memo, 4 September 1998, Subject: FY 99 NAF Program Codes/FCA Codes for HQDA LTR 215-98-1, Appendix A – CFSC-FM-C Memo, 6 Apr 99, FY 00 MWR... FM Operating Guidance, including FAQs on USA – ASD 30 May 96 Memo - URD Guidance – CFSC URD FY 97 Guidance <p>Any additional MACOM guidance</p>		
	c. Installation background , to include mission & functions of installation; MWR activities available.		

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	<p>d. Financial data for Background. Determine the scope of the MWR Program, to include GL & GN at the installation, by gathering Financial Data for USA for FY 98, 1st ½ of FY 99:</p> <ol style="list-style-type: none"> (1) Obtain MWR GL & GN Income statements from selected sites for SEPTEMBER '98 and MARCH '99 and schedule all MWR NAF, GL, & GN Income & Expense statements into one oversight spreadsheet that clearly shows relationship of the 3 categories of NAF expenses. (2) Determine if the funding practice was used outside of MWR. Specifically determine if any non-MWR functions were supported with USA such as supplemental mission functions, ACS, or billeting. (3) Determine if all expenses reimbursed under the funding practice were authorized to be supported with appropriated funds. Specifically, determine: <ol style="list-style-type: none"> (a) If USA funds used to support any direct expenses for Category C programs (except for remote/isolated installations). (b) Determine if USA funds were used to support any expenses associated with resale or revenue-producing activities of Category A or B programs or Category C remote /isolated installation programs. (4) Determine if there was any income into GL other than GLAC 508 (USA income) or any income to GN (none authorized). 		
	<p>1. FINANCIAL.</p> <p>Objective A: Determine if internal controls were in place and adequate to ensure the proper implementation of the USA program.</p>		
	<p>1. Flowchart steps taken to implement the USA MOA/Budget process. Be sure to include procedures (decision support) used to determine how funds are budgeted for NAF, APF, USA.</p>		
	<p>2. Obtain FYs 98 and 99 MWR Annual Assurance Statements and determine whether any weaknesses were reported that could impact controls over USA.</p>		
	<p>3. Contact NAF Financial Services - Red River, Determine if they review or have any controls in place to ensure APF funds are used properly...That is, not used for some expense that should use NAF (see CFSC FY 00 Budget Guidance--FAQs)</p>		

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	Objective B: Determine if the USA Funding Practice was implemented IAW HQDA LTR 215-98-1.		
	<p>1. MOAs. Determine whether MOAs were properly prepared. Review the installation's MOA for FYs 1998 & FY 1999. Specifically :</p> <ul style="list-style-type: none"> a. Did MOAs include both funded (dept. code GL) and unfunded (dept. Code GN) functions? b. Determine which activities were scheduled to receive USA funding for each FY c. Determine the amount of funding each activity was scheduled to receive for each FY. d. Enter data by activity to separate spreadsheets for each FY. e. Determine if any other funding was used by the NAFI, such as APF BASOPS spent that wasn't USA. Obtain 218-report (or similar APF summary) from DRM & compare totals by appropriation/AMSCO. Remember that EOR 2500 will include USA funds. f. Determine if MOA was properly executed prior to obligation and payment of APF. g. Determine whether MOAs were signed by the DCA & DRM, then approved by the Commander. Were MOAs reviewed by responsible MACOM (or in the case of a MACOM, by the next higher staff level.)? 		
	2. Determine if MOAs were revised as necessary to incorporate new or deleted functions by reviewing the NAF financial statements for FYs 1998 & 1999.		
	3. Obtain FY 98 & 99 MOAs (for example from TRADOC, FORSCOM, & MEDCOM) for installations not visited. Analyze and Schedule each MOA. Contrast & compare MOAs & review for above compliance with HQDA Ltr 215-98-1.		
	<p>4. Budgets. Determine whether Budgets were properly prepared and revised. Review HQDA letter 215-98-1 to determine if USA practice was properly implemented with regards to budgeting, specifically:</p> <ul style="list-style-type: none"> a) Get and review NAF budgets (AOBs). Were Dept. Code GL and GN properly budgeted and accounted for? Do budgets equal the MOAs? b) Review APF/NAF 5-year plan to ensure USA support isn't double counted by showing USA income as APF support. Ensure expenses aren't included in both the APF column and NAF column on the 5-year plan. 		

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	<p>c) Determine the amount of APF GL funding each activity received in FY 1998 and year to date FY 1999. For FY 1999, project anticipated GL support for the remainder of the year. (Ref. NAF Fin. Stmt. Dept. Code GL or GLAC 508).</p> <p>d) On spreadsheet enter data for each activity.</p> <p>e) Determine the difference between the APF amounts scheduled for GL per MOA and amounts received by each activity per NAF financial statement for GL.</p> <p>f) Determine percentage difference for each activity.</p> <p>NOTE: If difference is '0', that activity received all dept. GL funding requested on the MOA.</p> <p>If, <u>MOA > Naf Fin Stmt</u>, difference should be recorded as A PF short fall in Dept. Code GN for that activity (see steps 3&4 below).</p> <p>And, if <u>MOA < NAF Fin. Stmt</u>, MOA is out of date, and should be/have been resubmitted with new signature approval for the (new un-financed requirement) increased spending. OR, transfer expenses from GN to GL to make up difference.</p>		
	<p>5. Review the NAF financial statements for FYs 1998 & 1999. Specifically:</p> <p>a) Determine the amount of APF support shortfall each activity had in FY 98 and year to date FY 1999. (Ref. NAF Fin. Stmt. Dept. code GN)</p> <p>b) Enter data to spreadsheets.</p> <p>c) For comparison, calculate the difference between Dept. code GN/GL total for each activity.</p> <p>d) Calculate the percentage of GN to GL (total GN/total GL) per NAF financial statements.</p>		
	<p>6. For FY 98 actuals and FY 99 projections, compare the difference.</p> <p>NOTE For the case where <u>MOA > NAF Fin. Stmt</u>.</p> <p>If <u>GL = Code GN</u>, All anticipated APF USA support as scheduled in the MOA was received. And, the amount of GN should be zero...ALL APF requirements were budgeted and included in the MOA (as either GL or GN).</p> <p>If <u>GL > Code GN</u>, then GN should be adjusted to reflect true APF funding.</p> <p>And, if <u>GL < Code GN</u>, MOA is out of date and should be/have been updated (to reflect all un-financed requirements) and resubmitted.</p> <p><u>Note:</u> If some expenses are found to be unauthorized (in another audit program--- procurement or personnel), the adjusted MOA should be used to review the expenses and compare GL and GN.</p>		

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	7. Also obtain the FY 00 budgets (APF & NAF), if available. Compare amounts budgeted for GL & GN with FYs 98 & 99.		
	<p>8. Billings. Determine whether billings were done IAW HQDA Ltr 215-98-1:</p> <ul style="list-style-type: none"> a. Review the monthly billings (Standard Form (SF) 1034) and determine if proper entries to GLACs 508 and 137 were done. (Billings are prepared by the NAF Fund Manager for authorized expenses supported by the USA program and sent to the appropriate APF disbursing center run by DFAS). b. Determine how long after billing was sent to the AP F disbursing center the funds were transferred to the NAF Fund Managers. Also, determine if amount transferred in matches the amounts billed. <ul style="list-style-type: none"> -Was time lapse reasonable? Discuss with APF and NAF managers. -Can reimbursement time be improved? Discuss with APF and NAF managers. c. Were appropriate entries to NAF financial statements (GLACs 508 & 137) to record the receipt? 		
	<p>9. Yearend funds. Determine if the NAFI received any yearend APF funds. And if so:</p> <ul style="list-style-type: none"> a) How was it used? ...(1) applied to GN expenses or (2) applied to some other un-financed requirement? b) Were MOAs and budgets revised accordingly? 		
	10. CPMC. If USA was used for CPMC, review the CPMC Projects & determine whether they were handled IAW HQDA Ltr 215-98-1.		
	Objective C: Determine if appropriated fund resource managers adequately support functions under the USA practice.		
	<ul style="list-style-type: none"> 1. Develop a questionnaire for DRMs of installations (with large dollar amount MOAs) to determine their views on USA practice, <ul style="list-style-type: none"> a) how it's funded, b) how it's working. 		

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	<ul style="list-style-type: none"> c) how much was spent at the installation for MWR functions total. d) Projections for FY 99. e) Differences determined in steps above between MOA amounts, budgets, and actuals to ensure proper conclusions. Or if some logical explanation (other than those outlined in the <u>NOTES</u> in B.4. above) is available. f) The differences and percentages calculated in step B.4. Were they expected and properly explained by the installation? Or should MOAs have been updated? Why weren't they? g) The percentage calculated in step B.4. Were the APF shortfalls expected? Did the entire installation have a budget cut? h) Other reasons for differences. 		
	2. Request AAA offices at these installations assist in getting answers.		
	3. Contact NAF Financial Services - Red River, Determine if they review or have any controls in place to ensure APF funds are used properly...That is, not used for some expense that should use NAF (see also CFSC FY 00 Budget Guidance, FAQs)		
	<p>4. Obligations. On the appropriated side (DRM), determine when the MOA's funded functions are obligated.</p> <ul style="list-style-type: none"> a) Were APFs promptly obligated for all funded functions in the MOA? b) If not, when were the MOA's funded functions obligated? c) Were the correct obligation documents (Miscellaneous Obligation Document (MOD) DD Form 2406 instead of the MIPR) used? 		
	2. PROCUREMENTS. Overall Audit Objective. Was the MWR USA Funding Practice used only for authorized APF support (CFSC Objectives #2 & 3)? Also, did installations properly account for funds issued under the USA Funding Practice (CFSC Objective #6)? Was published guidance was adequate (CFSC Objective #7)?		
	Objective A: Determine if internal controls were in place and adequate to ensure the proper implementation of the USA program.		
	1. Flowchart steps taken to implement the USA MOA/Budget process. Be sure to include procedures (decision support) used to determine:		

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	a. How funds are charged to USA b. How items are placed on the property books (Fixed Asset Expendable Ledger)--a problem that surfaced during our audit of URD.		
	2. Obtain FYs 98 and 99 MWR Annual Assurance Statements and determine whether any weaknesses were reported that could impact controls over USA.		
	3. Contact NAF Financial Services - Red River, Determine if they review or have any controls in place to ensure APF funds are used properly...That is, not used for some expense that should use NAF (see CFSC FY 00 Budget Guidance--FAQs)		
	<p>Objective B. Determine if MWR USA funding practice was used for authorized appropriated fund support (procurements) and properly accounted for the items/services purchased..</p> <p>Because we need to be assured command has reasonable internal controls for the accountability over APF funds expended under the USA Test and were procured according to regulation and specific guidance developed for the USA project and were properly accounted for, we will review a sample of costs under the test at each selected site for the time period under review.</p> <p>Using data from the NAF USA GL & GN Income Statements, chart out the USA GL & GN costs by Activity and GLAC for the time period under review (done in Step 4.d. Above):</p>		
	<p>1. Briefly, review all costs charted just to see if anything catches your eye as being against regulations such as unauthorized Programs/items/services:</p> <ul style="list-style-type: none"> - Ensure the amount of NAF operating expenses reported under department cold GL exactly equals the amount of GL income. - Determine if any income other than USA Income was reported in Department GL. - Determine if fixed assets purchased under USA/MWR properly expensed and controlled on the NAF financial records. - Determine if all expenses reported under Department GN were authorized to be supported with APF. - Determine if any income was reported in Department GN. 		

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	<p>2. Review the charted costs and select a sample of USA GL & GN costs FOR EACH PERIOD. Select the sample using a general materiality threshold of 3% of total USA GL & GN costs for the period. For each selected expense, determine:</p> <ul style="list-style-type: none"> a. That documentation exists for the costs by obtaining supporting documentation for all costs selected for the sample (from NAF Contracting Office). b. That funds were incurred according to regulations (eligible for APF support) (IAW Appendix D, AR 215-1/AR 608-10 and/or specific guidance developed) for the USA test (review guidance & regulations applicable and consult with CFSC personnel as needed for advice). <ul style="list-style-type: none"> (1) Review sample costs and ensure no funds were expended in Category C (unless it is a remote/isolated site & if so...just for management or utilities). (2) Review sample costs and ensure USA funds were not used to support any expenses associated with resale or revenue-producing activities of Category A or B Programs or Category C (remote/isolated). This doesn't include those activities that only charge nominal user fees to recoup NAF expenses. (3) Review sample costs and ensure USA funds were not used to support any expenses in prohibited programs. <u>Specifically</u>, as shown on the 10June98 HQDA (CFSC-FM) LTR 215-98-1, <u>excluded are</u> civilian MWR programs, non-MWR family programs (army community services, army family team building, army family action plan, family advocacy program), Fisher Houses, vehicle registration, TDY transient lodging (billeting), veterinary services, recycling, sale of abandoned person property, all other supplemental mission programs and all other non-MWR installation functions. (4) Investigate any costs that appear questionable. Confer with personnel at the appropriate MACOM or CFSC if necessary. c. Ensure there was property accountability over items purchased with USA funds. <p>The USA guidance stipulates that items purchased with practice funds and meeting the NAF capitalization criteria (generally items costing over \$1,000) will be picked up on the NAF fixed asset records as expendable items (i.e. recorded on the E-Ledger).</p> <ul style="list-style-type: none"> (1) Review GLAC 742 (Furniture, Fixtures, & Equipment) for items purchased with USA funds that meet this criteria as well as for sensitive or easily pilferable items. (2) Get a copy of ledger from the MWR activity or the CAO and ensure the items are on the E-Ledger (& 		

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	<p>not on the regular depreciable Fixed Asset Ledger). If they're not on the E-Ledger, obtain a copy of any memos or documentation asking CAO to put the item on the E-Ledger.</p> <p>(3) If there is a lack of proper accountability, determine the scope of the problem and determine why/where the breakdown occurred.</p>		
	Objective C. Adequate Guidance. Determine if the published guidance for the USA/MWR is adequate.		
	1. Determine if there are areas that require additional guidance.		
	2. Determine if there are areas that the installations/MACOMS are misinterpreting.		
	3. Determine if MACOMS have established supplemental guidance and/or policies.		
	<p>3. PERSONNEL. Overall Audit Objective. Determine if personnel policies were properly implemented. Specifically:</p> <p>Was the MWR USA Funding Practice used only for authorized APF support (CFSC Objectives #2 & 3)? Also, did installations properly account for funds issued under the USA Funding Practice (CFSC Objective #6)? Was published guidance was adequate (CFSC Objective #7)?</p>		
	Objective A: Determine if internal controls were in place and adequate to ensure the proper implementation of the USA program.		
	1. Flowchart steps taken to implement the USA MOA/Budget process. Be sure to include procedures (decision support) used to determine how funds are charged to USA.		
	2. Obtain FYs 98 and 99 MWR Annual Assurance Statements and determine whether any weaknesses were reported that could impact controls over USA.		
	3. Contact NAF Financial Services - Red River, Determine if they review or have any controls in place to ensure APF funds are used properly...That is, not used for some expense that should use NAF (see CFSC FY 00 Budget Guidance--FAQs)		

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	Objective B. Determine if MWR USA funding practice was used for authorized appropriated fund support with regards to personnel. and whether installation properly accounted for the labor costs.		
	1. Obtain background information on USA personnel; include personnel costs for both GL & GN (See Step 4.d. above).		
	<p>2. If the installation has USA-funded personnel (NAF personnel assigned and working in APF slots) determine how they are accounting for the personnel and their salaries and benefits.</p> <ul style="list-style-type: none"> a) Are costs included in monthly billings to DRM? b) Are the billings for the amount of the appropriated fund position or for the amount paid the NAF employee filling the position? c) Are USA personnel costs entered in GL or GN department codes? d) Calculate a snapshot period in time (e.g. 30 Sep 98) & estimate USA costs for FY 98, based on the people working as of 30 Sep 98, including their salaries & benefits. Compare this to amount charged to USA--is the difference reasonable? 		
	<p>3. Obtain a copy of the current appropriated fund TDA showing a list of AUTHORIZED slots for appropriated fund personnel working in nonappropriated fund activities. Determine:</p> <ul style="list-style-type: none"> a) Number of slots AUTHORIZED the MWR activity. b) Number of slots filled with APF personnel. c) Number of slots filled with NAF-USA personnel. Were they coded properly? Were any subsequently refilled with appropriated fund personnel? Were the APF slots converted to NAF (except for temporary filling by NAF person of slot pending APF employment). d) Number of vacant slots & future plans for the vacant slots. <p>If NAF-USA personnel occupy slots not authorized, discuss with command.</p>		
	<p>4. Also, obtain a copy of the NAF Personnel Requirements Document (PRD) /Personnel Authorization List (PAL). Determine if</p> <ul style="list-style-type: none"> a) Any encumbered APF positions were converted to NAF & paid with USA. b) Any positions were added? c) Some PRD positions are authorized appropriated fund and put into department code GL or GN? 		

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	<p>5. Determine if NAF-USA personnel identified 4. above are working in the activities where their salary costs are reported. Be especially careful to ensure no APF is used to support unauthorized activities (as defined in Appendix D AR 215-1) Specifically:</p> <ul style="list-style-type: none"> a) From CPO obtain personnel action documents and determine where employees are assigned b) Obtain copies of shift schedules or other listings showing personnel are actually working in the activity. c) If time permits visit each activity to determine if the NAF-USA person is working in the center for which he was hired. If time is short do random check. <p>Discuss discrepancies with command.</p>		
	<p>6. Determine grades and salaries of personnel hired with USA funds, compare to the authorized GS wage grade salary to determine if there is a cost savings.</p>		
	<p>7. Compare the USA calculated costs with MOA /budgeted costs for each activity to determine accuracy of MOA/budget. Discuss with command.</p>		
	<p>Objective C. Adequate Guidance. Determine if the published guidance for the USA/MWR is adequate.</p>		
	<p>1. Determine if there are areas that require additional guidance.</p>		
	<p>2. Determine if there are areas that the installations/MACOMS are misinterpreting.</p>		
	<p>3. Determine if MACOMS have established supplemental guidance and/or policies.</p>		